

Statement of Chairman David M. McIntosh
Subcommittee on National Economic Growth,
Natural Resources, and Regulatory Affairs
on
“Kyoto Protocol: Is the Clinton-Gore Administration
Selling Out Americans?”
April 23, 1998

The purpose of today's hearing is to examine the potential impact of the Kyoto Protocol on American citizens, American businesses, the U.S. economy, and the U.S. energy system. Many citizens, elected officials from federal, state, and local governments, and experts, some of whom we will hear from today, believe that this treaty, which the Clinton-Gore Administration negotiated in December 1997, could potentially have very serious consequences for Americans. They also believe that these consequences need to be fully analyzed and understood prior to any Senate consideration of the Protocol.

More than six weeks ago, in preparation for this hearing, we requested documents and information from 22 Executive Branch departments and agencies that would justify the President's \$6.3 billion budget request. Our first letter was sent to the White House Office of Management and Budget (OMB) on March 2, 1998.

As material justifying the President's Budget request, the documents and information should have been readily available to respond to my inquiries. Nevertheless, almost two months later, as of five o'clock last night we had no response from OMB and responses from only five departments and agencies. Charts 1 and 2 show all the agencies to which we sent our requests and the responses received. Note all the empty boxes. In addition, the White House Counsel has blocked the production of some of the material requested on the ground that domestic budget information implicates the confidentiality of presidential decision making and U.S. foreign policy.

There is also some confusion within the Administration about whether it is requesting funds for climate change initiatives. Although the President's budget request seeks \$10 million for the Department of Housing and Urban Development as one of five agencies to receive FY 99 funding, Secretary Cuomo wrote to me denying that the HUD budget request includes any funding for climate change programs. Clearly, the President and HUD have different views about HUD's involvement in climate change.

Frankly, we don't understand the Clinton-Gore Administration's withholding from Congress important information about climate change. How can the Administration expect Congress to favorably consider the President's budget request for \$6.3 billion for climate change -- funds that could be devoted instead to saving Social Security, health care, or education?

The inability of the Clinton-Gore Administration to produce any explanation of the need for its huge budget request or any explanation of the impact on the American public is inexcusable. It appears to me that "The Emperor has no clothes."

Even without answers from the Clinton-Gore Administration, the witnesses today will address fundamental flaws in the Kyoto Protocol. Essentially, implementing the Kyoto Protocol would

seriously harm millions of Americans because it: (1) establishes unrealistic targets and timetables for U.S. emissions reductions; (2) gives a free ride to 128 of the 167 nations in the world, while allowing those same nations to determine policies affecting the U.S.; and (3) will result in **no** net environmental benefit.

Unrealistic target and timetable. By obligating the U.S. to reduce greenhouse gas emissions under this treaty by 7 percent below 1990 levels during the period from 2008 to 2012, President Clinton and Vice President Gore committed the U.S. to assuming the greatest burden of any country in the world. This target would require significant reductions in energy use within a relatively short time frame.

As we will hear today, taking such early actions to dramatically reduce emissions would require substantial investments by both consumers and businesses to improve energy efficiency and to substitute low-carbon energy sources for higher carbon energy sources. Unfortunately, it is highly unlikely that we could reduce our emissions by some 30 percent by the Kyoto deadline without significantly raising the cost of energy for American citizens and businesses.

Moreover, meeting this near-term Kyoto target by accelerating the rate of improvement in energy efficiency would be extremely costly. Because energy-using equipment and facilities have a long life, a great deal of equipment would have to be replaced prematurely.

Finally, these investments would significantly divert our limited resources away from savings and investments for the welfare and care of our children and future generations. No wonder the Administration has repeatedly stated in hearings before Congress that we must begin to take steps now, even prior to Senate ratification, so that we will not have to make the kind of drastic reductions that would otherwise be required.

The Kyoto Protocol is Patently Unfair. This treaty is also patently unfair because it exempts 77 percent of the countries from any obligations. Exempting these countries will cause Americans to see their jobs and livelihoods exported to take advantage of cheap labor, lower capital expenses and production costs, and lower environmental, health, and safety standards. Moreover, whatever relief may exist in the form of the complex emissions trading systems to be established under the Protocol, will be left to the U.N. bureaucracy, dominated by countries not subject to Protocol restrictions, to administer.

Economic Pain Without Environmental Gain. While the scientific evidence on global warming is very inconclusive, one thing is certain: the Kyoto Protocol will not result in any environmental gains. The former Chairman of the Intergovernmental Panel on Climate Change, Bert Bolin, already has noted that emissions reductions only by developed nations “would not be detectable on projected temperature increases” -- regardless of the commitments by the U.S. and other developed nations.

Moreover, by exempting such huge emissions producers as China, India, South Korea, Brazil, and Mexico, this treaty effectively prevents any net reduction of greenhouse gases in the atmosphere because the flight of industry from the United States to these countries would cause even greater emissions of greenhouse gases there, offsetting reductions achieved by the United

States and other developed countries.

What Does This All Mean for Americans? The Kyoto Protocol could become the most costly and far-reaching scheme of regulatory control this country has ever known. This treaty could result in energy rationing on a scale not seen since the stagflation and gas lines of the Carter presidency.

Gasoline prices could go up 70 cents per gallon. Commuting costs would be overwhelming for those who cannot afford to live close to work. Also, there will be no more family reunions or holiday vacations for many Americans — if Vice President Gore has his way.

Massive layoffs could result — according to the AFL-CIO as many as 1.5 million jobs may be lost by 2010. The days of full employment would be no more.

We could lose as much as \$3.3 trillion in GDP between 2001 and 2020. Losses of this magnitude would make the malaise of the Carter years seem like the good old days.

Prices for consumer goods could rise more than 50 percent, driving down **real** wages by about \$2,600 per household by 2010.

Let me give you one example of the devastation that this treaty could cause in my district in Indiana. Three years ago, foreign competition and high regulatory costs drove a thousand jobs making manual transmissions from the Borg Warner plant in Muncie to Mexico. Now, if Bill Clinton and Al Gore have their way, the remaining 1200 jobs at the plant, making transfer cases for sport utility vehicles, could be driven out because higher energy costs will make it too costly to manufacture them in the United States and because the high price of gasoline could destroy consumer demand for these vehicles.

In short, the treaty would be a massive Tax on the American Dream levied by President Clinton and Vice President Gore.

In this hearing, we will tell the American people about the real costs of Kyoto — the factories that will be closed, the jobs that will be lost, the small towns that will be boarded up, the pay cuts, the hidden tax on everything from food to family vacations, and, in short, the knife in the back of the American Worker. Despite serious doubts about the science, one thing is certain: the economic and social effects will be catastrophic. If Vice President Gore and the radical environmentalists get their way and Kyoto is implemented, Clinton-Gore will be the first Administration since **Jimmy** Carter's to usher in a shrinking American economy.